Annual Report 2017

SCCOM

SWAZILAND COMMUNICATIONS COMMISSION

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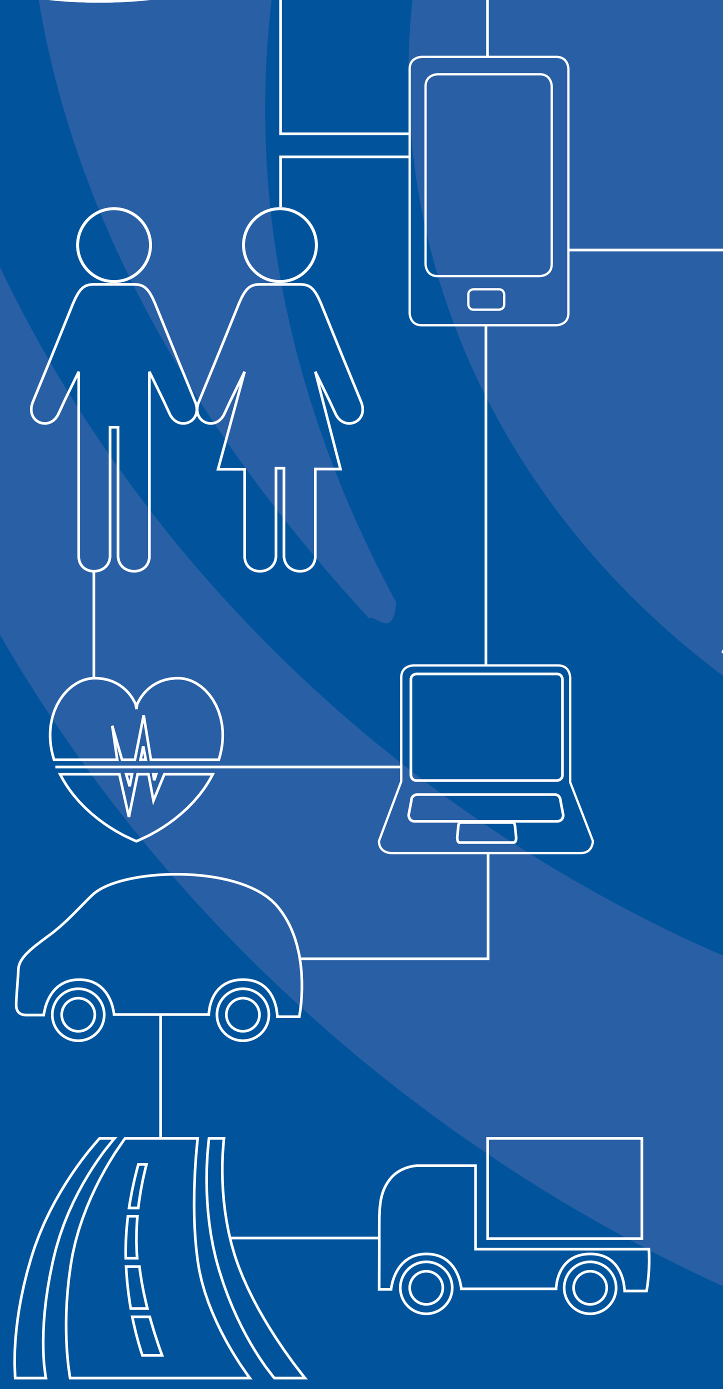


VISION

To be a dynamic regulator of communications services in Swaziland that facilitates the delivery of affordable, sustainable and quality services.

MISSION

To derive maximum socio-economic benefits for all Swazis from ICTs through the effective regulation of telecommunications, broadcasting and postal services in Swaziland.

CORE VALUES

- Integrity
- Transparency
- Accountability
- Teamwork
- Innovation
- Knowledgeable

Corporate information

Registered name
Swaziland Communications Commission

Registered office address
Sibekelo Building, 4th Floor, North Wing

Postal address
PO Box 7811
Mbabane
H100

Telephone number
+268 2406 7000

Email
info@sccom.org.sz

Website
www.sccom.org.sz

Auditors
Kobla Quashie & Associates

Legislative mandate

The Swaziland Communications Commission (SCCOM) is the regulatory authority for the information and communication technology sector in Swaziland. The Commission was established in 2013 by the Swaziland Communications Act, No 10 of 2013 to license and regulate telecommunications, radio communications, broadcasting and postal services in Swaziland. The Commission will play a critical role in the management and development of Swaziland's ICT sector. Through the Act, SCCOM is mandated to carry out, among other things, the following:

a) Regulate and supervise the operation of electronic communications networks and the provision of electronic communications service in Swaziland, including the regulation of data protection in electronic communications.

b) Regulate and supervise the provision of postal service and electronic commerce.

c) Regulate and supervise the provision of radio and television broadcasting services and the content of those services.

d) Promote the development of innovative, secure, modern and competitive communications infrastructure and the delivery of related services.

e) Ensure freedom of provision of communications services and further ensure that those services are not limited, except when strictly necessary.

f) Ensure a wide range and variety of communications services.

g) Ensure that all communications services are provided in a manner that will best promote economic and social development.

h) Ensure non-discrimination and equality of treatment in all matters under the remit of the Commission.

i) Promote efficient management and human resource development within the communications industry.

j) Promote the interest of end-users and licensees as regards the quality of all communications services and equipment within the remit of the Commission.

k) Administer certain aspects of the Competition Act, 2007, as they relate to the sectors regulated by the Commission.

l) Administer certain aspects of the Fair Trading Act, 2001, as they relate to the sectors regulated by the Commission.

Board of directors

1
Sipho J Shongwe
Board Chairperson

2
Gideon Mahlalela
Vice Chairperson

3
Mvilawemphi Dlamini
Chief Executive

4
Zodwa Ginindza
Member of the Board and Chairperson of the Remuneration Committee

5
Bheki Ndzinisa
Board member

6
Bongiwe Dlamini
Board member

7
December Mavimbela
Board member

8
Sicelo Simelane
Company Secretary

Management

1

Lindiwe Malaza
General Manager
Support Services

2

Thulani Fakudze
General Manager
Technical Services

3

Ozzie Thakatha
General Manager
Legal and Compliance

4

Lindiwe Dlamini
General Manager
Strategy and Economic Regulation

CHAIRPERSON'S FOREWORD

Sipho J Shongwe Chairperson

The Board is proud that once again, the Commission has produced a clean audit report which is a testimony that financial controls and systems within the Commission are watertight as they should be.

The Swaziland Communications Commission is a regulatory body established by the Swaziland Communications Commission Act, 2013, to regulate and supervise the provision of electronic communications in the country. Regulation of this critical sector requires that the Commission be impartial, transparent and above reproach in its operation and delivery of its mandate.

I am pleased to present the Commission's 2016/17 annual report, which constitutes the milestones achieved. This period was characterised by the promulgation of critical legislative frameworks necessary for the development of the sector.

It is during the same period that tenure of the three-year initial Board came to an end on 31 August 2016. I am grateful to the Board members who steered the Commission with integrity through the period of its infancy from establishment in July 2013.

In the same vein, during this reporting period, the Ministry of ICT, appointed the current Board of Directors during October 2016. The Board had to hit the ground running as there were a number of important matters the Commission was addressing at the time. I am grateful to the current Board for the dedication displayed in ensuring that the Commission delivers on its mandate.

During this period, the Commission welcomed the passing of the Electronic Communications Regulations, in August 2016, which provided the Commission with the necessary legal tools to carry out its licensing mandate.

I am pleased to report that the Commission licensed another operator, Swazi Mobile Limited, after noting the public outcry, as reiterated during the Sibaya submissions, for the introduction of competition in the telecommunications sector. It also pleases me that during this period the Commission was able to finally recruit the Commission's Chief Executive and Chief Finance Officer, thus putting to an end the leadership gap that had been prevailing over the years.

The Board is proud that, once again, the Commission has produced a clean audit report, which is a testimony that financial controls and systems within the Commission are watertight as they should be and I am optimistic that this will continue even in the coming year.

With regard to the other regulated sectors, such as postal, broadcasting, e-commerce and data protection, significant legislative milestones have been reached since the respective bills have been drafted and will soon be passed into law to enable the Commission to deliver on its mandate.

May I take this opportunity to express the Board's sincere gratitude to the entire Government of Swaziland, the Honourable Minister of ICT, industry operators, industry stakeholders, and the entire public who have shown trust and have extended invaluable support towards the Commission as it strives to uplift the standard of the Electronic Communications Sector towards Vision 2022 and beyond.

Thank you.

Sipho J Shongwe Chairperson

CHIEF EXECUTIVE'S REPORT

Mvilawemphi Dlamini Chief Executive

The process of evaluating the applications for the third telecommunications operator, which culminated in the issuance of an Individual Electronic Communication Network and Service Licence to Swazi Mobile Limited, was completed in February 2017.

The communications sector has become the main driver in a number of economies worldwide and, as a result of this development, it became necessary for countries to establish regulatory bodies to ensure management of the sector while stimulating competition among industry players for the benefit of their respective economies. Such a move was adopted by Swaziland, which saw the establishment of the Swaziland Communications Commission in 2013. The resulting gains from this initiative have been realised by the economy, operators and consumers, as more fully reported hereunder.

Since establishment, the Commission has made valuable gains in the discharge of its statutory mandate. To start off, it must be borne in mind that after the establishment of the Commission, there was a three-year vacuum during which there was absolutely no regulation of the sector. This situation, for obvious reasons, was untenable. It was therefore imperative that legal frameworks in the form of regulations be put in place to fill this gap. In August 2016, sector regulations were issued by the Commission, signalling the commencement of a new era in the realm of communications in Swaziland.

In conjunction with the ICT Ministry, the Commission provided support in the formulation of the three bills, being the Swaziland Postal Bill, the Swaziland Broadcasting Bill and the Swaziland Infrastructure Bill, all of which are currently undergoing the promulgation process by Government.

Subsequent to the issuance of the regulations, and the desire to promote competition in the sector, coupled with an effort to lower the cost of communication in Swaziland, the Commission issued an Invitation To Apply (ITA), for companies with an interest to provide public telecommunications services in the kingdom of Swaziland. The long, arduous process of evaluating the received applications for a third telecommunications licence was completed in February 2017, which culminated in the issuance of an Individual Electronic Communication Network and Service Licence to Swazi Mobile Limited. This monumental achievement was a quantum leap in the move towards the awaited liberalisation of the communications sector. This licence ushered in a new era of high-tech communication in the mobile space. For the first time the Swazi populace will enjoy video calling and send high-volume data from their mobile devices wirelessly. Without a doubt, this licence brought much excitement for the sector and the country as a whole.

As part of its drive to lower the cost of communication, the Commission embarked on discussions with the wholesale electronic communications provider, the Swaziland Posts and Telecommunications Corporation, and succeeded in reducing the wholesale price. The strategy was for the wholesale price reduction to trickle down to the retail customer, and be further cascaded to the end-user, translated into lower communication costs, thus resulting in affordable communication services in the country.

Internally, the Commission has strengthened its human capital and embarked on a recruitment drive aimed at filling up some of the critical positions that have remained vacant over time.

The success that has been outlined above has been made possible by the commitment of the Government of the Kingdom of Swaziland, through the able leadership of the parent Ministry, that of ICT, the Board of Directors of the Commission as well as the few employees who have been responsible for steering the ship through ever since inception.

It would be amiss not to mention the challenges that lie ahead with the introduction of such disruptive technologies as Internet of Things, Machine Learning, Smart Technologies, 5G, OTTs, and the by-products, such as CyberSecurity, Cyber Bullying, and jurisdiction matters. The Commission participated in work committees that sought to address the above challenges in an effort to protect the Swazi consumer.

On behalf of the Executive and the Board of SCCOM, I would like to reassure all stakeholders of the Commission's commitment to continue creating an enabling environment for the creation of a dynamic sector, develop the necessary tools required to pursue the statutory mandate of the Commission, including but not limited to creating a highly competitive environment, whilst ensuring growth for the fulfilment of the Kingdom's ambitions in line with national, regional and international goals such as the Sustainable Development Goals.

Mvilawemphi Dlamini Chief Executive

FINANCE

The implementation of projects funded under the Universal Service Obligation (USO) programme will be operationalised once the appointment of the USO Committee has been finalised.

During the year under consideration, the SCCOM reported a total income of E96.8 million, the main source of income being licence fees. The annual licence fees billed to Swazi MTN amounted to E49.4 million. Swazi Mobile, the newly licensed telecommunications operator was billed E35.1 million in licence fees. In addition to the licence fees, spectrum fees for the year amounted to E10.8 million.

Key financial performance indicators

	2017 E million	2016 E million	Percentage increase
Total invoiced	**96.8**	54.6	77
Utilised for operations	**36.3**	18.8	93
Surplus for the year	**4.7**	2.7	74
Designated funds transfer	**60.5**	36.7	65
Total assets	**202.2**	124.6	62
Total liabilities	**172.6**	99.8	73
Accumulated reserves	**29.4**	24.7	16

The schedule above shows a 77% increase in revenue during the year. Contributing to this increase was the initial fee that was invoiced to the new operator, Swazi Mobile. In terms of expenditure, the indicators reflect an increase when compared to the previous year, and this is as a result of an increase in operational activities. Designated funds represent licence fees earmarked for 2017/18 special projects, such as the spectrum monitoring capability of the Commission. The surplus for the year was reported at E4.69 million. However, it should be noted that debtors at the end of the year amounted to E40.1 million. This amount is expected to be collected during the 2017/18 financial year-end.

The Commission's interest income earned on investments for the year 2016/2017 amounted to E4.7 million, showing an increase of E1.94 million from E2.7 million made the previous financial year. The growth was attributed to an increase in investments during the year. Alltogether E20 million was invested in a seven-year government bond which has a floating rate coupon linked to the prime rate minus 1.5%, with the first coupon rate at 9%. Other financial assets included the Stanlib Swaziland Money Market Fund and the African Alliance Lilangeni Fund.

Finance (continued)

In terms of section 56 of the Swaziland Communications Act, 2013, the Commission holds in custody funds that have been transferred from the licensed operators, for the Universal Service Obligation (USO) Fund. During the year under consideration, the value of the fund stood at E25.3 million. The implementation of projects funded under the USO programme will be operationalised once the appointment of the Universal Service Obligation Committee has been finalised. The Commission has forwarded the recommendations to the ICT Ministry.

During the course of the financial year, the acquisition of property, plant and equipment amounted to E8.66 million. E4.5 million of this amount was used to purchase spectrum monitoring equipment. The following tenders were awarded during the year under consideration:

a) Invitation to apply for an individual electronic communications network and individual electronic communications service licences to provide public telecommunication services in the Kingdom of Swaziland – licence was awarded to Swazi Mobile.

b) Develop and review Swaziland's electronic communications numbering and address plan – tender was awarded to Solisane Investments (Pty) Limited.

c) ICT Baseline Market study, Prising study and USO study – tender was awarded to Pygma Consulting.

d) Swaziland ICT Pricing for Wholesale Internet and Leased Lines benchmark study – was awarded to PineSoft Technologies.

e) Consultancy for the development of a comprehensive strategy for the Swaziland Communications Commission – tender awarded to Commonwealth Telecommunications Organisation (CTO).

The financial indicators above all reflect a positive increase when compared to the previous year. The liquidity ratio for financial year 2016/2017 indicates that the Commission is highly liquid. The overall financial structure of the Commission shows a significant year-on-year improvement.

Challenges

Finance was not adequately staffed in 2017. Two critical positions, namely the positon of General Manger Finance and Accountant, were outstanding as at the end of the year. Recruitment is under way and is expected to be completed in 2018.

Future outlook

The financial performance of the organisation is expected to improve with the entry of an additional operator in the market.

The division will also focus on business processes and procedures to ensure that all processes within the organisation are streamlined.

TECHNICAL SERVICES

During the period under review, the Commission has managed to strengthen its processes and efforts in spectrum management and planning, quality of service improvement and certification of electronic communications equipment in the country.

Technical Services is responsible for implementing policy directives concerning technical aspects of regulating electronic communications in Swaziland. The Electronic Communications Act of 2013 is the prevailing legal instrument in the regulation of electronic communications in Swaziland. The responsibilities of the Division cover the following functional areas, as mandated in and in accordance with the general functions of the Swaziland Communications Commission Act of 2013:

a) Spectrum Planning and Management

b) Technology, Numbering and Standards

c) Broadcasting and Postal service regulation

Spectrum Planning and Management

Radio frequency spectrum is a very valuable resource within the Kingdom of Swaziland and, as such, it is important that it is managed effectively. The primary economic objective of spectrum management is to maximise the net benefits to society that can be generated from the spectrum resource.

Radio frequency spectrum management is a process of administering the radio spectrum under the framework of international treaties, existing national law, spectrum policies and associated operational procedures. Radio frequency spectrum management is concerned with determining how much spectrum is assigned to which service provider, and determining the terms and conditions of the assignment.

Frequency spectrum management should be effective as the use of frequency spectrum is essential to Government functions such as defence, public safety, air traffic control and weather forecasting. Spectrum management is essential for maintaining access to interference-free radio frequency spectrum for all authorised users. In accordance with the Swaziland Communications Commission Act of 2013 and the Electronic Communications (Radio Communications and Frequency Spectrum) Regulations, 2016, SCCOM is charged with the responsibility of spectrum planning; creating new allocations; fulfilling frequency planning coordination and assignments; issuing licences; regulating and administering the use of radio frequencies; and the monitoring and enforcement procedures. It is further responsible for establishing regulations, frequency fees structure, technical parameters and standards governing the use of each band, ensuring that current international regulations are met.

During the year under consideration, the following activities were carried out by the Spectrum Planning and Management unit:

National Frequency Allocation Plan review

The division initiated a project to review the current National Frequency Allocation Plan 2015. This review was necessitated by a number of developments at international and regional levels pertaining to the use and management of radio frequency spectrum. Specifically, the outcomes of the World Radio Conference 2015 (WRC-15) resulting in changes in the Radio Regulations and the passing of the SADC Frequency Allocation Plan (FAP), which was approved by ministers responsible for Postal, Telecommunications and ICT. This project is still ongoing and will be completed during the course of the 2017/2018 financial period.

Frequency spectrum monitoring: Automated Spectrum Management System (ASMS)

With the completion of the spectrum monitoring system in terms of all site installations, as well as the completion of the setting up of the control centre at the SCCOM head office, which houses the automated spectrum monitoring system, going into the calendar year of 2016/17, the main objective was to make the whole system completely operational. This meant that a network that would enable the monitoring sites to communicate with each other for efficient monitoring and spectrum planning had to be developed. In addition, for the automated spectrum monitoring system, management software had to be deployed at the control centre, and data on assignments and other technical parameters on user equipment would have to be uploaded onto the system.

Spectrum licensing

One of the responsibilities of spectrum planning and management is the authorisation of service providers for the use of national frequency spectrum in Swaziland. This includes new licences and renewal of licences. During the period under review, the objectives for the system were not realised as little or no activities relating to spectrum monitoring were carried out due to inadequate human resource capacity.

New spectrum licences

During the reporting period, a new telecommunications service provider, Swazi Mobile, was awarded an individual Electronic Communications Network Licence (I-ECNL) and an individual Electronic Communications Service Licence (I-ECSL). This translates into a fresh requirement for frequency spectrum. The operator was allocated frequency spectrum as shown in the table below:

Frequency spectrum band	Bandwidth(MHz)
GSM 900 Core	10
1800 MHZ multiband	10
2100 MHZ UMTS/3G core band	10
2300 MHZ	10

A number of other new licence and licence renewal applications that were processed are listed in the table below:

No	Type of licence	Total
1	Private Mobile Radio (PMR)	5
2	Amateur Radio	4
3	Aircraft Station	6
4	VSAT	9

Existing spectrum licence renewals

The division also processed applications for the renewal of licences by existing users. The number of spectrum users in the country is listed in the table below:

No	Type of licence	Total
1	Private Mobile Radio (PMR)	153
2	Amateur Radio	48
3	Aircraft Station	151
4	VSAT	27

In addition, existing spectrum licences for the existing Individual Electronic Communications Service providers (Swaziland Posts and Telecommunications Corporation and Swazi MTN Limited) were reissued to be in accordance with the Electronic Communications Act, 2013, and the Electronic Communications (Radio Communications and Frequency Spectrum) Regulations, 2016.

Technology and standards

The technology and standards section is responsible for the development and implementation of relevant regulatory instruments (policies, regulations, guidelines and codes relating to telecommunications systems, information and communications technology, internet governance, numbering, cyber, security and communications equipment type approval.

The following activities were carried out during the reporting period:

Technical Services (continued)

Telecommunications sector regulations

During this period, the guidelines which were developed to be used as a regulatory framework for telecommunications services in the country were replaced by the electronic communications sector regulations. The regulations were approved and came into force during the year under consideration.

Telecommunications services

Under the licensing framework established by the Telecommunications Law and Licensing Rules, a person must obtain an electronic communication service (individual) licence (referred to as the I-ECS licence) or an electronic communication network licence (referred to as the I-ECN licence) prior to engaging in activities permitted under the applicable licence.

Under the Licensing Rules, the application process to obtain an I-ECS licence and I-ECN licence is more stringent. This is due to the fact that I-ECS and I-ECN licences authorise licensees to engage in activities that generally require more significant investments and expertise, as well as permit access to scarce resources and provide international telecommunications services.

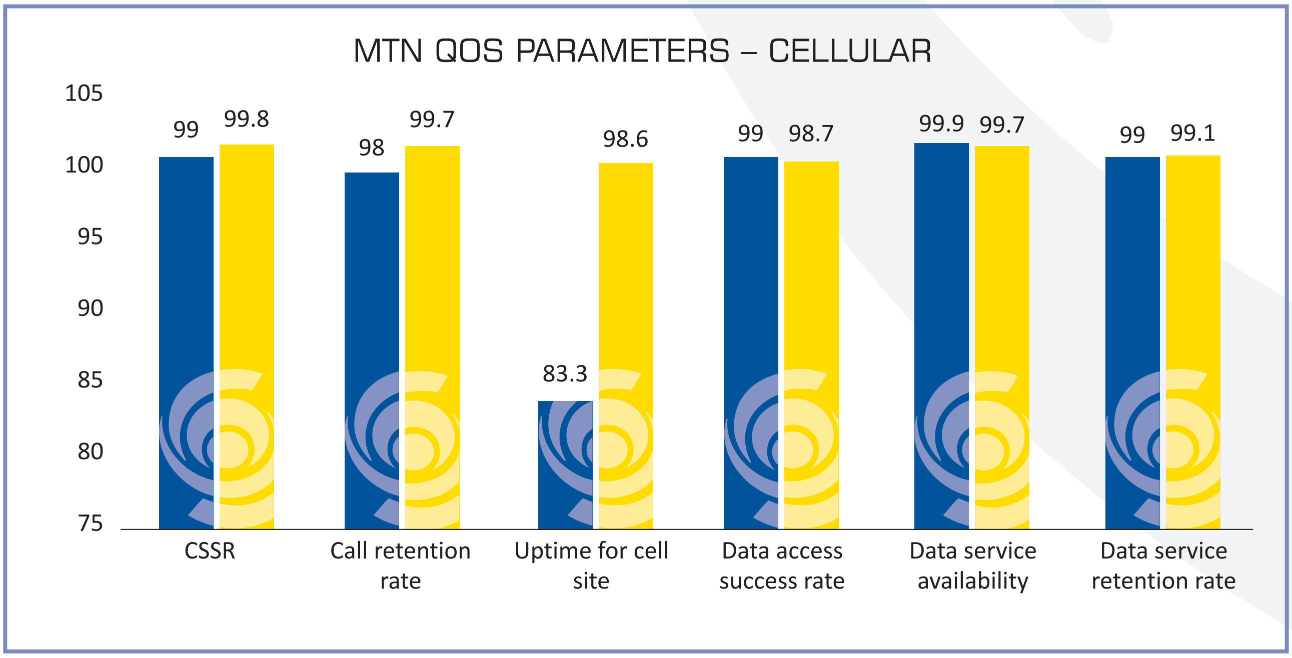
During this period, the division was involved in the third mobile telecommunications service provider licence in the country, from the development of the invitation to apply for the licence to the final stage of licence issuance.

The division also provided technical expertise in the licence conversion process for the existing telecommunications service providers (SPTC and Swazi MTN).

Quality of service reports and improvements

During the period under review, network performance reports for mobile telephony services for the Quality of Service (QoS) parameters, as set out in the Regulations, received and analysed were only from Swazi MTN Swaziland. The performance for the current period, as shown in Figure 1, indicate that measures for improving consumer experience are required. Following the conversion of the SPTC licence in November 2016 and the issuance of the new licence to Swazi Mobile Limited in the last quarter of the current year, similar reports will be expected from all the operators going forward. In the coming year, the Commission will undertake its own measurements on quality of service to be able to reconcile reports received from operators and the experience on the ground.

Figure 1: QoS (cellular) performance for Swazi MTN



Regulation of wholesale connectivity and internet bandwidth

Internet services

In accordance with section 9(1) of the Electronic Communications Act, 2013, the Commission converted existing ISP licences into new general electronic communications licences to provide internet and other services allowed under the licence. Furthermore, in a bid to improve competitiveness of the internet services sector and realising the central role that internet services can play in transforming the economy and the livelihoods of the country's citizens, the Commission opened up the market for more players to participate. Alongside the conversion process for the existing internet service provider (ISP) licences, five new other licenses (GEC-ISP) were issued on 20 September 2016. As the year drew to a close, more GEC-ISP licence applications were received. These prospective licensees had their applications reviewed and approved, and new licences were issued during the last quarter of the year.

Internet governance

The Commission is responsible for the administration of the '.sz' country code Top Level Domain name (ccTLD). The Electronic Communications (Domain Name Administration) Regulations, 2016, provide for the regulatory framework for the administration of the .sz ccTLD. The Commission has been carrying out an analysis and benchmarking on the approaches to be adopted in the operationalisation of the regulations. The initial views in this regard include the following:

a) Involvement of all stakeholders in the performance of the regulatory and administrative functions of the .sz domain name.

b) Continuation of the current arrangement, delegated by the Commission and in the short term and, wherein the Swaziland Internet Service Providers Association (SISPA) is responsible for the discharge of the administrative functions of the country code Top Level Domain.

c) Establishment of an expert advisory committee with representatives from all key stakeholders in the sector to provide guidance on the operations of .sz.

d) Development of a structured framework and process, in line with the regulations, for the management of the .sz country code Top Level Domain.

Information and communication technology

Technical Services is charged with duties to design, develop and implement information technology systems for efficient and effective delivery of services for the Commission. This is achieved through ensuring that electronic data of the Commission is secure, that records are maintained regularly and that the Commission's website, email systems and ICT equipment are in good working condition at all times. During the period under review, the division managed to keep the Commission's ICT systems and infrastructure up and running all the time. The division also managed to carry out an assessment of current systems and infrastructure capabilities, with a view to ascertain adequacy of the current ICT environment to meet the Commission's current and future operational requirements. Gaps identified from the assessment will be worked on in the 2017/2018 financial year.

Type approval, technology and standards

This activity is concerned with the authorisation of radio and telecommunications equipment to be used in Swaziland, through verification of the equipment's compliance with applicable requirements and standards. This requirement is applicable to all telecommunications equipment intended for deployment within the public telecommunications network in Swaziland. To this end, the Electronic Communications (importation, type approval, and distribution of communications equipment) Regulations are being used to provide guidance on the applicable standards and requirement.

During the period under review, the Commission processed 88 equipment type approval applications.

Broadcasting and Postal services

Technical Services is responsible for the development of regulatory instruments of the broadcasting sector, which includes television and radio broadcasting. A major drawback in this sector is the absence of the necessary legal and regulatory instruments, which causes broadcasting and postal sectors to be underdeveloped. During this reporting period, the division participated in the development and review of the legislative instruments for this sector. This included stakeholder consultations of the Swaziland Broadcasting Bill, which is meant to provide the legislative framework for the sector. In the meantime, and to close the gap created by the lack of the necessary legislative and regulatory frameworks, the Commission has initiated an exercise to develop guidelines for the broadcasting sector. This process will be completed during the course of the 2017/2018 financial year.

Challenges

While Technical Services managed to realise a number of achievements, it was also faced with a number of operational challenges. These challenges were primarily centred around the lack of the necessary human resource capacity within Technical Services (and the Commission as a whole). This is evidenced by the number of activities that were not achieved in the 2016/2017 operational plan. In addition to the non-attainment of some of the targets as set out in the operational plan, this challenge also resulted in the following:

- Absence of the necessary tools and processes.
- Heavy reliance on consultancies for the Commission's work.
- Absence of the necessary legislative and regulatory instruments.

Future outlook

In the coming financial year (2017/2018) Technical Services will be undertaking a number of activities aimed at achieving the SCCOM mandate. While a majority of the planned activities fall within the division's areas of responsibility, a number of them will be focused on supporting operational activities of other divisions within the SCCOM. The planned activities include the following:

Spectrum management and monitoring activities

- Review of Spectrum Management Policy.
- Review of National Frequency Allocation Plan.
- Radio Frequency Spectrum Monitoring: interference measurements, spectrum occupancy and coordination with neighbouring countries.
- Clean-up of the database of all spectrum users in the country.
- Development of Radio Frequency Spectrum Pricing Model.
- Radio Frequency Spectrum Licensing.

Technology and standards activities

- Development of National Numbering Plan.
- Development and rollout of telecommunications quality of services (QoS) monitoring system.
- Operationalisation of Electronic Communications Regulations, 2016: .sz Domain Name Administration, Quality of Service, Equipment Type Approval, Numbering, Infrastructure Sharing and Interconnection Regulations.
- Development of frameworks, guidelines and programmes relating to cyber-security.
- Development, upgrade and support of the Commission's ICT infrastructure and systems.

Broadcasting services related activities

- Development and implementation of broadcasting sector guidelines, to act as interim regulatory tools for the regulation of broadcasting services in the country. The guidelines will cover the following elements, among others:
  - Licensing procedures.
  - Programming, scheduling, advertising.
  - Code of ethics; and
  - Broadcasting editorial policy.
- Licensing for broadcasting service providers: conversion of existing licences and issuance of new licences.
- Development of monitoring and compliance processes for the broadcasting services sector.

LEGAL AND COMPLIANCE

Following the passing of the Electronic Communications Act, No 9 of 2013, and the Swaziland Communications Act, No 10 of 2013, the Subsidiary Regulations were passed in August 2016.

Legal and compliance provides legal advice to the Board and respective divisions of the Commission, and develops legal and regulatory instruments. The division also issues licences and authorisations, interprets and analyses the law, and drafts and interprets contracts in which the Commission is a party. During the reporting period, the unit drafted a number of service contracts by the Commission with different service providers.

The unit is also responsible for monitoring and enforcing compliance with the laws and regulations, licence terms and conditions, directives, guidelines and/or any other regulatory instruments issued by the Commission. The unit also provides secretarial and administration support to the SCCOM Board of Directors.

Key activities undertaken during the period under consideration

Enforcing the ECA Regulations, 2016

Following the passing of the Electronic Communications Act, No 9 of 2013 and the Swaziland Communications Act No 10 of 2013, the subsidiary regulations were passed in August 2016. The passing of the regulations signalled a significant milestone within the regulation of the electronic communications sector in Swaziland. This placed the Commission in a position to effectively regulate the sector, using the regulations.

The regulations ushered in a new way of regulating electronic communications in Swaziland since they provide for the different sub-sectors of electronic communications. The following regulations were passed and are being enforced for compliance purposes:

- The Swaziland Communications Commission (Consumer Protection) Regulations.
- The Swaziland Communications Commission (Subscriber Registration) Regulations.
- The Electronic Communications (Cryptography) Regulations.
- The Electronic Communications (Domain Name Administration) Regulations.
- The Electronic Communications (Facilities Sharing) Regulations.
- The Electronic Communications (Importation, Type Approval and Distribution of Communications Equipment) Regulations.
- The Electronic Communications (Interconnection) Regulations.
- The Electronic Communications (Licensing) Regulations.
- The Electronic Communications (Interconnection) Regulations.
- The Electronic Communications (Quality of Service) Regulations.

- The Electronic Communications (Radio Communications and Frequency Spectrum) Regulations.
- Electronic Communications (The Universal Service and Access) Regulations.

Broadcasting regulation

One of the functions of the Commission, in terms of section 6(c) of the Swaziland Communications Act, 2013, is to regulate and supervise the provision of radio and television broadcasting services and the content of those services. Currently the country does not have comprehensive broadcasting Act that provides for the licensing and regulation of broadcasters in Swaziland save for the Swaziland Television Authority Act which essentially establishes Swazi TV and runs short of providing for the broader broadcasting sector and the technological development that the sector has enjoyed over the years.

The Ministry of ICT is currently in the process of having the Swaziland Broadcasting Bill, 2016 promulgated into law. The unit participated in the formulation and final validation of the bill and eagerly awaits the passing into law of the bill.

Postal regulation

One of the functions of the Commission, in terms of section 6(b) of the Swaziland Communications Act, 2013, is to regulate and supervise the provision of postal services. Like the broadcasting sector, the country does not have comprehensive legislation dealing with the regulation of the postal sector, taking into account the technological evolution of the postal sector over the recent years. The SPTC Act, 1983, is obviously archaic and does not provide adequately for regulation of postal services, including courier services, like the rest of the region and in line with the objects of the Universal Postal Union (UPU).

In identifying the immediate need to develop a modern, comprehensive postal policy and legislation, the Ministry of ICT has finalised developing the Swaziland Postal Bill, 2016 and it currently awaits the promulgation processes. The unit has been actively participating in the formulation of the bill providing the necessary legal and regulatory input in the process.

The unit participated in other regional and international forums where postal issues are deliberated, including Pan African Postal Union (PAPU), UPU and CRASA Postal Committee.

Licensing

Conversion of licences under section 50 of the Electronic Communications Act

Section 50 of the Electronic Communications Act (ECA) requires the Commission to “issue new licences to existing licensees, lawfully providing electronic communications networks or services consistent with the provisions of the Act”. In essence, the section required the Commission to issue new licences in line with the ECA to operators who were already in existence and offering electronic communications services before the ECA and SCCOM Act were passed into law.

The result of this exercise saw the Commission issuing two individual technology-neutral licences to the Swaziland Post and Telecommunications Corporation and Swazi MTN Limited. The technology-neutral licences are in line with the spirit of the ECA, which does not confine operators to specific service, but provides for technology neutrality.

During the period under review, four general licences were issued to the following entities:

a) Real Image Internet.

b) Data Net.

c) Posix.

d) Computronics.

Licensing of third Telecommunications Operator

During the process preceding the licensing of the third telecommunications operator, Legal and Compliance was responsible for the following activities:

a) Development of the Invitation To Apply (ITA).

b) Publication of the ITA, September 2016.

c) Participated in the evaluation of bids, December 2016.

d) Publication of Intention To Award, December 2016.

e) Facilitated public consultation on Intention To Award.

f) Consolidated public comments.

g) Developed and issued licence to Swazi Mobile in February 2017.

Legal and Compliance (continued)

General licences issued

During the reporting period, the unit developed and issued general licences to the following internet service operators:

a) Touch IT Technologies (Pty) Limited.

b) Prime Technologies.

c) Comm IT (Pty) Limited.

d) Jingu Clouding Technologies (Pty) Limited.

The unit continued to receive and review compliance reports periodically submitted by all licensees. This is one of the main functions of the unit wherein it monitors compliance by operators licence terms and conditions, as well as the applicable laws and regulations or directives issued by the Commission. Where the unit finds that a licensee is not compliant, it recommends the relevant action to be taken by the Commission against that licensee.

Board administration

The unit is also tasked with providing secretarial and administration function to the SCCOM Board. This involves preparations for Board meetings, production of Board minutes and Board development.

During the period under review the Board held four ordinary Board meetings and one extraordinary meeting to review the Commission's activities in line with the PEU circular as well as contemporary best corporate governance practices. The unit facilitated the attendance of the Board to one Board training session on corporate governance and King IV.

Challenges

The unit has identified the following challenges affecting the regulation of the electronic communications sector in Swaziland:

- The absence of legislation on postal, broadcasting, data protection, e-commerce and cyber security.
- Appointment of Universal Service Committee and Appeals Board.
- Lacunae in the Electronic Communications Act.
- Lack of human capital within the Commission.

Future outlook

- Issuance of guidelines for postal and broadcasting sectors will ensure a measure of regulation of these sectors awaiting promulgation of the statutes.
- Advocate and lobby for the passing of cyber security, data protection, and e-commerce legislation.

STRATEGY AND ECONOMIC REGULATION

The Commission undertook market studies comprising i) ICT Market Baseline Study, ii) Cost to Communicate Study, and iii) Universal Access and Service Gap Analysis Study.

Strategy

The strategy unit of the Swaziland Communications Commission is responsible for the strategic direction of the organisation. This activity entails the overall management of the organisational strategy of SCCOM. The purpose of the unit is to provide strategic direction and intellectual/ management leadership in the implementation of a research agenda that facilitates sustainable ICT development in line with the strategic goals of SCCOM, while ensuring conformance to the organisation's requirements.

Simply put, strategic planning determines where an organisation is going over the next year or more, how it is going to get there and how it will know if it got there or not. "Someone once said that if you do not know where you are going any road will take you there". The focus of a strategic plan is usually on the entire organisation, while the focus of a business plan is usually on a particular product, service or programme.

The unit was operationalised during the last quarter of the period under review. Key deliverables undertaken by the unit during this period were the development of terms of reference for the development of the organisation five-year strategic plan and the commencement of the process of procuring service providers to undertake the project. At the close of the financial year, the process had not been completed.

Internally, the unit is responsible for the coordination of the SCCOM budgeting process by developing and implementing a mechanism for the evaluation of performance of the Commission's business plan and SCCOM's budget performance in meeting the objectives of the Commission. This is done through the coordination of annual strategic and developmental programmes and activities of SCCOM.

The strategy unit is also responsible for the Commission's communications unit. This unit is responsible for the Public Relations portfolio of the Commission. Also, included in the unit's functions is the oversight for the strategic leadership to the Commission's corporate functions, creating a culture of value, based resource management and creating value for money, as well as meeting the needs of both internal and external clients and the Commission in general.

Economic regulation

The economic regulation unit is responsible for the establishment, review and monitoring of the implementation of frameworks to manage competition and economic regulation (market, economics and finance) in line with the mandate of the Commission.

The unit commissions the undertaking of research to study and analyse tariff structures levied by service providers, both at wholesale and retail levels. This is aimed at ensuring that consumers of communication services and service providers benefit from appropriate pricing of products and services.

Studies are also undertaken to analyse the communications market, ensuring alignment of Government policies and legal frameworks with the realities of the ICT market. Another key role is that of monitoring market behaviour, competition by the service providers, through the collection, analysing and organising of data about the markets and the services provided. From the findings of the studies undertaken, the Commission is able to take action and put in place processes that should also further encourage competition as well as stimulate market segments where competition is non-existent.

Research studies

During the period under review, the Commission under the economic regulation unit undertook studies with a view to gain a better understanding of the ICT market in Swaziland. These were an analysis of the Swaziland ICT wholesale internet and leased lines pricing and ICT market studies, namely a) market feasibility structure; b) cost to communicate study, and c) market gap analysis.

Analysis of Swaziland ICT wholesale internet and leased lines pricing

During the year under review, SCCOM undertook a benchmarking exercise on the retail and wholesale pricing of telecommunications services within the SADC region. The exercise was meant to assist the Commission in regulating the pricing of telecommunications services, as it was understood that Swaziland's cost to communicate was among the highest in the region. The benchmarking exercise included the following broad areas:

- Wholesale prices for internet bandwidth.
- Wholesale prices for access only (connectivity) services, including:
  - Point to Point leased line connection;
  - International private leased circuit (IPLC) connection; and
  - Metro ethernet connection.
- Retail prices for internet bandwidth.
- Retail prices for access only (connectivity) services.
- Retail prices for fixed, broadband and mobile services, namely.
  - Prepaid plans, post-paid plans, bundled services and packages.
- Retail and wholesale price levels by operator (distinction between regulated and non- regulated prices/tariffs) – current and past five years if available.
- Interconnection rates between operators – (mobile-to-mobile, mobile-to-fixed, fixed-to-fixed, VoIP, international) – current and past five years where available.

The results of the study revealed that Swaziland was the second most expensive country in Africa after South Sudan. A recommendation from this study was to engage the wholesale operators with a view to optimise the pricing structure, resulting in lower tariffs. SCCOM engaged SPTC to determine cost drivers for their services with a view to introducing a glide path to be followed in the implementation of a tariff transformation programme. The exercise was undertaken and completed during March 2017, and as of 1 April 2017, the agreement was that SPTC would effect a price reduction on wholesale tariffs by 33% as phase 1. Discussions for the second phase will commence during September 2017.

ICT market studies

Feasibility and Market Study: This study was aimed at developing a comprehensive data set for evaluation to produce the baseline analysis of the current total market structure. The study was not completed during this period, thus results of findings and recommendations will be available in the next reporting cycle.

Cost to Communicate Study: The Cost to Communicate Study entailed a thorough examination of the nature of products and services offered in the market, such as voice and data, and related costs, both wholesale and retail. It also considered the quality of service offerings as well as the state of retail competition in the retail sector. This study was also due for completion at the start of the next quarter, which falls outside the reporting period.

Market Gap Analysis: The aim of this audit was to identify, access, qualify and quantify access gaps in universal service and access. It entailed a detailed evaluation of the status of deployment of ICT networks for all existing networks and services, both public and private, at national as well as international levels. The resulting findings will be used as input in the formulation of policy and regulations.

Challenges

The main challenge for now has been the unavailability of human capital to undertake the work of the unit. The strategic plan developed as part of the establishment of the Commission was never operationalised. The staff levels were too low to enable meaningful rollout of some of the recommendations of the strategy. The lack of data to inform the studies has also proved to be another challenging factor. Even in cases where the data is available, there is a need to develop proper standardised tools to assist in the collection of data so that reports produced on the ICT sector are accurate and relevant. This will assist to inform proper policy direction and develop relevant ICT regulations/tools to be used by the Commission to carry out its mandate.

Future outlook

A service provider for the process of developing the organisation's comprehensive five-year plan, 2018 – 2023, has been identified. From the Strategy Development Process SCCOM seeks to obtain a comprehensive five-year organisational strategy document. The strategy will guide the development of the ICT sector, as well as the development of SCCOM as an entity. Specific deliverables will include:

- An organisational structure that will support the delivery of the mandate of SCCOM as directed by the Strategy.
- A comprehensive Communication Strategy to be used for SCCOMs stakeholder consultations for both Internal and External publics.
- A report on the process including stakeholder consultations and workshops.
- Map a way forward for delivering on the Communications mandate as prescribed in the ECA of 2013 in the next five years.

The introduction of the third communications operator in the country, looks set to revitalise the industry as a result of competition. A drop in the cost to communicate index is expected as well as an introduction of innovative service provision mechanisms from the players as they compete for the customer base.

SCCOM will be undertaking more studies aimed at informing policy as well as regulation for managing competition. One such study will be the determination of dominance in the various markets to facilitate the removal of barriers to entry for the new operator as well as to level the playing field.

SUPPORT SERVICES

Towards the end of the third quarter, the Ministry of ICT gave the Commission approval to fill 11 of the vacant positions. The position of General Manager Strategy and Economic regulation was filled in December 2016.

At Inception, the Commission resolved to house all support functions, except finance, under Support Services. The plan was to expand these into separate functions as and when the institution grew. During the year 2016/17, therefore, Support Services was responsible for three functions namely Human Resources, Consumer Affairs, Strategy and Economic Regulation.

Human resources' core mandate is the responsibility for the efficient and effective management of the Commission's human capital and administrative functions. This includes managing recruiting and hiring employees, coordinating employee benefits and Implementation of employee learning and development strategies. Logistical support was also rendered to specialised functions.

Support Services is also responsible for the Consumer Affairs division, which serves the interests of consumers by enforcing quality of service standards and professionalism in service provision within the ICT sector and the promotion of informed consumer practices.

Also housed under Support Services was the Strategy and Economic regulation unit. This unit is responsible for providing strategic direction and implementation of a research agenda that facilitates sustainable ICT development in line with the strategic goals of SCCOM while ensuring conformance to the organisation's requirements.

HUMAN RESOURCES

Human resources administration

During the period under review, human resources administration occupied a central role in SCCOM's activities, with a special focus on recruitment.

Since inception, the Commission had been operating with a staff complement of 11. This was constituted of seven professionals and four support staff, against an approved organisational structure of 30 positions.

As the SCCOM business continued to grow, it became critical for the Commission to increase the number of personnel. Challenges experienced included the continued absence of a substantive Chief Executive Officer and General Manager Finance; employees being unable to take annual leave low achievement of organisational objectives; and critical departments, such as economic regulation, being dormant.

Towards the end of the third quarter, the Ministry of ICT gave the Commission approval to fill 11 of the vacant positions. The position of General Manager Strategy and Economic regulation was filled in December 2016.

During the last quarter of the financial year, the Chief Executive, the General Manager Finance and other professionals were appointed increasing the total staff complement to 23.

The presence of a substantive Chief Executive has ended the instability caused by having a different acting Chief Executive every six months. This is a positive boost towards stakeholder confidence in the operations of the Commission.

Further, the appointment of the General Manager Finance will ensure that prudent finance controls and systems are in place, as well as fulfil the statutory requirements relating to the management of the Universal Access Funds.

Staff complement

The demographics of the Commission are illustrated below:

Current staff complement – responsibility levels statistics

Description	Number
Executive management	6
Professional staff	13
Support staff	4

Current staff Complement – description statistics

Description	Number
Total number of employees	23
Males	13
Females	10
Women in executive/management positions	5
Women in technical positions	0
Employees with disabilities	0

Based on the demographics above, the Commission will need to prioritise the recruitment of women in technical positions and people living with disabilities.

Human resources development

During this period, 18 members of staff attended 12 learning programmes. These include workshops offered by Intentional organisations such as CRASA and ITU. Six officers are currently enrolled on long-term professional programmes. Listed in the opposite column is the course title and number of officers per programme:

Human resources development – statistics table

Programme title	Number of officers
Master of laws in Information and Communication Technology	2
Master of Communications Management	1
MBA	1
Diploma in Procurement	2

HR policies and procedures

A workshop was conducted internally for all staff on HR policies and procedures. This was to ensure literacy for employees on institutional policies, procedures, welfare issues, and employee rights and benefits. The following policies were covered during the workshop:

a) Recruitment and selection policy.
b) Induction policy.
c) Terms and conditions of service.
d) Industrial relations policy.
e) Disciplinary procedures.
f) Leave administration policy.
g) Payroll policy and procedures.
h) Training and development policy.

Performance management system

During the year under consideration, the Commission engaged consultants to undertake the process of designing a performance management system (PMS). The Commission's PMS policy is anchored on the following propositions:

a) To support the Commission's vision, mission statement, values and strategic objectives.
b) To create and nurture a culture of performance excellence and accountability.
c) To instil and sustain a performance culture, supported by continuous improvement.
d) To enable the development of competencies that reflect the values and skills-set requisite for SCCOM's sustainability.
e) To develop employees through regular constructive performance feedback based on coaching, mentoring and development.

f) To build sound relationships through regular and honest performance conversations.

The development of the performance management policy was intended to guide the performance of employees towards meeting the regulatory mandate of the Commission. However, after completion, the system could not be operationalised due to the low numbers of staff. Officers were undertaking duties outside their mandatory scope, thus evaluation of the employees' performance would not have been feasible. The system will be operationalised during the coming financial year 2017/18.

Employee wellness

Employee wellness is vital for any organisation to achieve its objectives. Productivity and job satisfaction is dependent upon a healthy workplace, which includes the physical and social environment of employees, their health practices, and the personnel resources available. To accentuate employee wellness, SCCOM conducted and participated in a number of activities, namely:

a) Awareness sessions on workplace Policies.

b) Investment opportunities.

c) Team building initiatives, such as participating in the biggest braai event and a year-end function.

Consumer affairs

The Consumer Affairs department was involved with consumer awareness, advocacy and protection, as well as engagements with stakeholders in an effort to further SCCOM's objectives.

Stakeholder engagement

During this period, SCCOM engaged with a wide range of stakeholders, including companies and industry bodies in the sectors we regulate, consumers, the Swaziland Government and devolved institutions, co-regulators and other regulators. This took place during different forums, including the International Trade Fair, wherein the Commission, under the theme of "Be Safe Online" educated the public on issues around cyber security.

Participation in international and regional bodies

The Commission continues to participate in regional bodies where issues regarding the communications sector are discussed and decisions are taken. Such forums provide opportunities for benchmarking, networking, sharing of knowledge on trends in the sector and sharing of costs towards human resources development. These include among others, CRASA, SATA, SADC, COMESA, PAPU, UPU, ATU, ITU and CTO.

Economic regulation

The Commission has the mandate to create competition for the market through Markets and Competition Analysis; Numbering, Economic and Financial Analysis; and Research and Development.

The Commission undertook market studies comprising Information Communications and Technology Study, Cost to Communicate and Universal Access and Service (UAS) Gap Analysis Study. The said studies aimed to present a scientific result on the cost of communications in Swaziland benchmarked with prices applied in other countries within the region. An assessment of the extent of availing of communications services to every Swazi throughout the country will be presented. The study will give direction to the Commission and the country on the status of the sector and give guidance on the changes required to be implemented to improve the sector for the benefit of the consumer in Swaziland. The outcomes of the studies will be available during the 2nd quarter of the 2017/18 financial year.

Following the appointment of the General Manager Strategy and Economic Regulation, this function has since moved from Support Services to being a stand-alone department.

Challenges

Limited human resources

While positive steps were made towards recruitment of staff, a number of functions had not yet been resourced at the close of the year, a situation which in turn negatively affects the Commission's overall performance. The regulatory functions require a well-manned and skilled human capital.

SCCOM grading

The Public Enterprise Unit (PEU) grading and remuneration model as pronounced by circular No 3 of 2016, placed the Commission in Group 4. This translates to the fact that SCCOM employees are remunerated lower than the operators the Commission is responsible for regulating.

The impact of this grading has been as follows:

- The Commission could not attract the best candidates during the recruitment process.
- The Commission will have to invest more in capacity development.

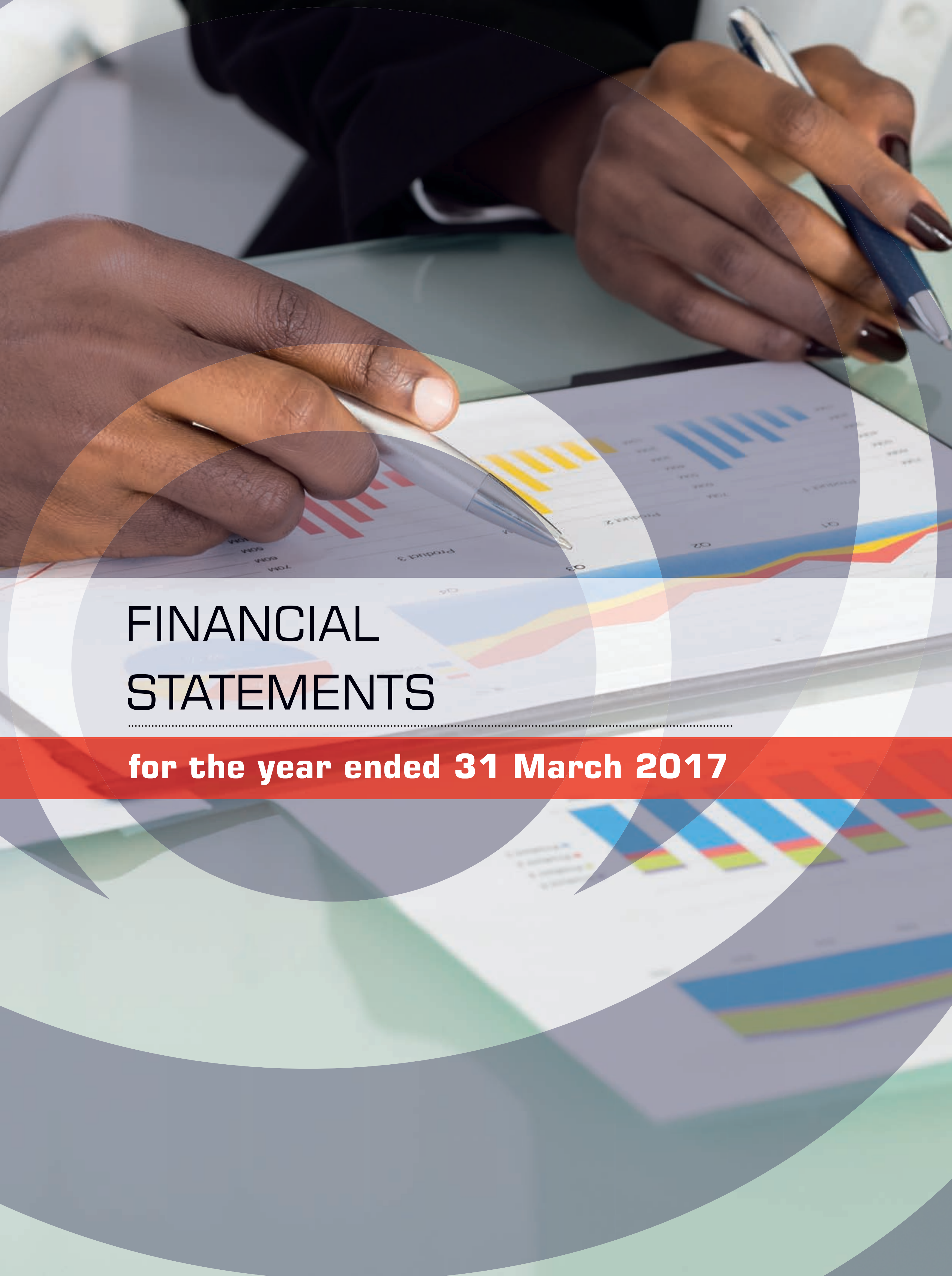
The Commission will continue engaging the relevant stakeholders in order to address this challenge.

Future outlook

The HR department will strive to implement human capital management strategies in the next financial year in order to have a systematic process in place to ensure business continuity, instil a culture of high performance as well as encourage personal development, all aimed at achieving the strategic goals and objectives of SCCOM.

More interventions towards consumer issues will be implemented in the next financial year, following the recruitment of the Manager Consumer Affairs.

The completion of the SCCOM strategy will require the human resources management unit to be a more strategic business partner through enhancement of employee skills and training employees to meet business demands. These will be achieved through talent acquisition, capacity building and employee engagement processes, which in turn will make the workforce competent for challenges associated with future demands.



FINANCIAL STATEMENTS

for the year ended 31 March 2017

Contents

The reports and statements set out below comprise the annual financial statements presented to the Board of Directors:

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Directors' responsibilities and approval

The Directors are required in terms of the Swaziland Communications Act 10 of 2013 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Commission as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Commission and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Commission and all employees are required to maintain the highest ethical standards in ensuring the Commission's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Commission is on identifying, assessing, managing and monitoring all known forms of risk across the Commission. While operating risk cannot be fully eliminated, the Commission endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Commission's cash flow forecast for the 12 months to 31 March 2018 and, in the light of this review and the current financial position, they are satisfied that the Commission has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Commission's annual financial statements. The annual financial statements have been examined by the Commission's external auditors and their report is presented on page 30.

The annual financial statements set out on pages 31 to 49, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 June 2017 and were signed on its behalf by:

Sipho J Shongwe Chairperson

Mvilawemphi Dlamini Chief Executive

Independent auditors' report

To the members of Swaziland Communications Commission

We have audited the annual financial statements of Swaziland Communications Commission, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 31 to 49.

Directors' Responsibility for the Annual Financial Statements

The Commission's Directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Swaziland Communications Act 10 of 2013. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Swaziland Communications Commission as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Swaziland Communications Act 10 of 2013.

Kobla Quashie and Associates
Chartered Accountants (Swaziland)
Manzini
Per: Daniel Bediako

30 June 2017

Directors' report

The Directors submit their report for the year ended 31 March 2017.

Review of activities

Main business and operations

The Swaziland Communication Commission (SCCOM) is an independent regulatory body established by an Act of Parliament (Swaziland Communications Commission Act 10 of 2013) as part of Government's reform strategy for communications. The Commission is engaged in the business to regulate and supervise functions of all electronic communications, postal, radio and television broadcasting services and operates principally in Swaziland. It is charged with the responsibility for policy, regulation, oversight, professional development and information management and dissemination in the field of electronic communications.

The operating results and state of affairs of the Commission are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Going concern

The ability of the Commission to continue as a going concern depends on the long term sustainability of such results and further improvements.

Events after the reporting period

The Directors are not aware of any matter or circumstance arising since the end of the financial year period that could impact the amounts presented in the financial statements, and;

a) have been fully taken into account insofar as they have a bearing on the amounts attributable assets and/or liabilities at the date;

b) apart from changes in the ordinary course of business, have not made the present financial position substantially different from that shown by the statement of financial position;

c) have not required adjustments to the fair value measurements and disclosures included in the financial statement.

Board of Directors

The Directors of the Commission during the year and to date of this report are as follows:

Mr Sipho J. Shongwe – Chairman
Dr Gideon Mahlalela – Vice Chairman
Mr December Mavimbela – Member
Mrs Zodwa Ginindza - Member – Appointed 25 October 2016
Mr Bheki Ndzinisa - Member – Appointed 25 October 2016
Mrs Bongiwe Dlamini - Member – Appointed 25 October 2016
Mr Mvilawemphi Dlamini – Official CEO – Appointed 1 April 2017
Mr Ozzie Thakatha – Acting CEO
Mr Joseph Waring – Term expired – 31 August 2016
Mr Mfanzile Dlamini – Term expired – 31 August 2016
Mr Sipho Vilakati – Term expired – 31 August 2016

Secretary

The Secretary of the Commission is Mr Sicelo Simelane.

Auditors

Kobla Quashie and Associates Chartered Accountants (Swaziland) Manzini.

Statement of financial position

For the year ended 31 March 2017

Figures in Emalangeni	Note(s)	2017	2016
Assets			
Non-Current Assets			
Property, plant and equipment	2	**48,710,557**	44,378,631
Investments	3	**20,000,000**	–
		68,710,557	44,378,631
Current Assets			
Accounts receivable	4	**40,698,586**	1,347,810
Financial assets	5	**55,833,682**	51,674,432
Cash and cash equivalents	6	**36,941,811**	27,163,991
		133,474,079	80,186,233
Total Assets		**202,184,636**	124,564,864
Reserves and Fund balances			
Reserves			
Accumulated reserves		**29,431,047**	24,740,330
Fund balances			
Designated funds	7	**134,988,851**	74,476,566
Universal Service Obligation Funds	8	**25,290,766**	20,351,925
Capital grant	9	**106,420**	121,623
		160,386,037	94,950,114
Current Liabilities			
Accounts payable	10	**10,286,961**	4,305,864
Provisions	11	**2,080,591**	568,556
		12,367,552	4,874,420
Total Liabilities		**172,753,589**	99,824,534
Total Equity and Liabilities		**202,184,636**	124,564,864

Statement of comprehensive income

For the year ended 31 March 2017

Figures in Emalangeni	Note(s)	2017	2016
Income		**41,041,832**	21,512,269
Operating expenses		**(36,351,115)**	(18,771,429)
Operating surplus	12	**4,690,717**	2,740,840
Surplus for the period		**4,690,717**	2,740,840
Other comprehensive income		**–**	–
Total comprehensive income		**4,690,717**	2,740,840
Surplus for the period		**4,690,717**	2,740,840

Statement of changes in funds

For the year ended 31 March 2017

Figures in Emalangeni	Accumulated reserves	Total reserves
Balance at 01 April 2015	**21,999,490**	**21,999,490**
Changes in equity		
Total comprehensive income for the year	2,740,840	2,740,840
Total changes	2,740,840	2,740,840
Balance at 01 April 2016	**24,740,330**	**24,740,330**
Changes in equity		
Total comprehensive income for the year	**4,690,717**	**4,690,717**
Total changes	**4,690,717**	**4,690,717**
Balance at 31 March 2017	**29,431,047**	**29,431,047**

Statement of cash flows

For the year ended 31 March 2017

Figures in Emalangeni	Note(s)	2017	2016
Cash flows from operating activities			
Cash generated from operations	13	**37,592,752**	44,861,044
Cash flows from investing activities			
Purchase of property, plant and equipment	2	**(8,660,646)**	(42,143,232)
Sale of property, plant and equipment	2	**81,324**	–
Sale of financial assets		**(20,000,000)**	–
Purchase of financial assets		**(4,159,250)**	(51,674,432)
Net cash from investing activities		**(32,738,572)**	(93,817,664)
Cash flows from financing activities			
Movement in universal service obligation funds		**4,938,841**	4,600,636
Movement in capital grant		**(15,203)**	(15,203)
Net cash from financing activities		**4,923,638**	4,585,433
Total cash movement for the year		**9,777,818**	(44,371,187)
Cash at the beginning of the year		**27,163,991**	71,535,179
Total cash at end of the year	6	**36,941,809**	27,163,992

Summary of significant accounting policies
For the year ended 31 March 2017

1. Presentation of Annual Financial Statements

Swaziland Communications Commission (SCCOM) is a Government parastatal established in terms of the Swaziland Communications Act 10 of 2013. It is a corporate body with perpetual succession capable of suing and being sued, subject to the provisions of the Act.

The addresses of the office and principal place of business are disclosed in the introduction of the annual report on page 50.

Statement of compliance

The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

The following are the principal accounting policies adopted in the preparation of these financial statements as set out below.

1.1 Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency

These financial statements are presented in Emalangeni, which is the entity's functional currency. All financial information presented in the Emalangeni have been rounded to the nearest figure.

d) Use of estimates and judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The Commission assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the income statement, the Commission makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

1.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the commission

No new standards have been adopted by the Commission for the first time for the financial year beginning on or after 1 April 2016 that have a material impact on the Commission:

(b) New standards, amendments and interpretations not yet effective and not early adopted by the Commission

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these annual financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Commission, except the following set out below:

Amendment to IAS 12 – Income taxes

The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. The standard is effective for annual periods beginning on or after 1 January 2017. The Commission is assessing the impact of this amendment.

Amendment to IAS 7 – Cash flow statements

In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities. The standard is effective for annual periods beginning on or after 1 January 2017. The Commission is assessing the impact of this amendment.

IFRS 9 – Financial Instruments (2009 and 2010) - Financial liabilities, derecognition of financial instruments, Financial assets, General hedge accounting.

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

Amendment to IFRS 9 –'Financial instruments', on general hedge accounting, effective 1 January 2018.

The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:

- The own credit risk requirements for financial liabilities.
- Classification and measurement (C&M) requirements for financial assets.
- C&M requirements for financial assets and financial liabilities.
- The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).

The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

IFRS 15, '*Revenue from contracts with customers*' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 '*Revenue*' and IAS 11 '*Construction contracts*' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Commission is assessing the impact of IFRS 15.

IFRS 16 – Leases, effective 1 January 2019

After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

1. Presentation of Annual Financial Statements continued

1.2 Changes in accounting policies and disclosures continued

The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

IFRS 16 supersedes IAS 17, '*Leases*', IFRIC 4, '*Determining whether an Arrangement contains a Lease*', SIC 15, '*Operating Leases – Incentives*' and SIC 27, '*Evaluating the Substance of Transactions Involving the Legal Form of a 'Lease*'.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Commission.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the commission; and
- the cost of the item can be measured reliably. Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the diminishing balance method over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Leasehold improvements	10 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Office equipment	10 years
IT equipment and softwares	3 years
Spectrum monitoring equipment	15 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Financial instruments

Classification

The Commission classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Commission has transferred substantially all risks and rewards of ownership.

Loans to managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1. Presentation of Annual Financial Statements continued

1.4 Financial instruments continued

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Commission's accounting policy for borrowing costs.

1.5 Tax

The Commission is exempt from income tax according to the Section 12(1) (a) (iii) read together with Section 2 of the Income Tax Order 1975, as amended, which was confirmed through an exemption certificate issued by the Swaziland Revenue Authority dated 11 July 2016 which is subject to annual review.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.7 Impairment of assets

The Commission assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Commission estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash- generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.8 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Terminal benefits

Termination benefits are repayable whenever an employees' employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Commission recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility or withdrawal or to provide termination benefits as a result of offer made to encourage voluntary redundancy. Benefits falling due more than 12 months are discounted to present values.

Statutory obligations

The Commission contributes to a statutory fund, Swaziland National Provident Fund (SNPF) in accordance with the Swaziland National Provident Fund Order of 1974.

Pension obligation

The Commission operates a provident fund for all its employees. This fund is a defined contribution plan. A defined contribution plan is a pension plan under which the Commission pays fixed contributions into a separate entity. The Commission has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

1.10 Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to SCCOM and the amounts of revenue can be reliably measured.

License fees

License fee income consist of annual mobile license fees, spectrum fees type approval and renewals which is recognised in the period in which it relates.

Interest income

Interest is recognised, in the income statement using the effective interest rate method. When a receivable is impaired, SCCOM reduces the carrying amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

1.11 Government grant

Grants from government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Commission will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the cost they intended to compensate. Government grants relating to purchase of property, plant and equipment are included in non current liabilities and credited in the income statement proportion to which depreciation to those assets is charged.

1.12 Related parties

The major related party to the Commission apart from its Directors is the Government of Swaziland which exercises a significant influence over its financial and operating decisions.

Notes to the annual financial statements

For the year ended 31 March 2017

2. Property, plant and equipment

	2017			2016		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	**1,103,852**	**(182,893)**	**920,959**	850,749	(103,837)	746,912
Motor vehicles	**5,722,136**	**(1,038,871)**	**4,683,265**	2,732,904	(333,135)	2,399,769
Office equipment	**444,272**	**(38,139)**	**406,133**	175,386	(10,355)	165,031
IT equipment and software	**1,667,832**	**(688,294)**	**979,538**	1,324,089	(459,300)	864,789
Spectrum monitoring equipment	**43,948,088**	**(3,044,102)**	**40,903,986**	39,459,669	–	39,459,669
Leasehold improvements	**988,466**	**(171,790)**	**816,676**	835,758	(93,297)	742,461
Total	**53,874,646**	**(5,164,089)**	**48,710,557**	45,378,555	(999,924)	44,378,631

Reconciliation of property, plant and equipment – 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	**746,912**	**253,103**	**–**	**(79,056)**	**920,959**
Motor vehicles	**2,399,769**	**2,989,232**	**–**	**(705,736)**	**4,683,265**
Office equipment	**165,031**	**268,886**	**–**	**(27,784)**	**406,133**
IT equipment and software	**864,789**	**508,297**	**(81,324)**	**(312,224)**	**979,538**
Spectrum monitoring equipment	**39,459,669**	**4,488,420**	**–**	**(3,044,103)**	**40,903,986**
Leasehold improvements	**742,461**	**152,708**	**–**	**(78,493)**	**816,676**
	44,378,631	**8,660,646**	**(81,324)**	**(4,247,396)**	**48,710,557**

Reconciliation of property, plant and equipment – 2016

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	804,304	25,598	(82,990)	746,912
Motor vehicles	623,430	2,035,291	(258,952)	2,399,769
Office equipment	19,197	154,936	(9,102)	165,031
IT equipment and software	795,407	363,518	(294,136)	864,789
Spectrum monitoring equipment	–	39,459,669	–	39,459,669
Leasehold improvements	713,250	104,220	(75,009)	742,461
	2,955,588	42,143,232	(720,189)	44,378,631

Figures in Emalangeni	2017	2016

3. Investments

Held to maturity		
Swaziland Government Bond	**20,000,000**	–
Non-current assets		
Held to maturity	**20,000,000**	–

This is a 7 year Government Treasury Bond which has a floating rate coupon linked to Prime Rate minus 1.5% with the first coupon rate at 9%. Interest payment date is 28 February and 31 August in each year.

4. Accounts receivable

Trade receivables	**40,149,777**	1,263,720
Prepayments – subscriptions	**423,088**	–
Rental deposit	**95,726**	69,090
Fuel deposit	**29,995**	15,000
	40,698,586	1,347,810

5. Financial assets

Stanlib Swaziland – Money Market Fund	**26,849,957**	34,086,682
African Alliance Swaziland – Lilangeni Fund	**28,924,624**	17,532,442
Stanlib Swaziland – Money Market Fund – USOF	**59,101**	–
	55,833,682	51,619,124

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	**480**	1,429
Bank balances	**36,941,331**	27,162,562
	36,941,811	27,163,991
Bank balances		
Nedbank (Swaziland) Limited – Current account	**1,409,690**	489,170
Nedbank (Swaziland) Limited – Call account	**10,299,976**	17,630,298
Nedbank (Swaziland) Limited – Universal current account	**2,552,290**	62
Nedbank (Swaziland) Limited – Universal call account	**22,679,375**	9,043,032
	36,941,331	27,162,562

	Opening balance	Received during the year	Utilised during the year	Closing balance
7. Designated funds				
Reconciliation – 2017				
Details				
Government subvention	**1,000,000**	**–**	**–**	**1,000,000**
Licensing fees	**73,476,566**	**96,769,126**	**(36,256,841)**	**133,988,851**
	74,476,566	**96,769,126**	**(36,256,841)**	**134,988,851**
Reconciliation – 2016				
Details				
Government subvention	1,000,000	800,000	(800,000)	1,000,000
Licensing fees	36,808,309	54,624,483	(17,956,226)	73,476,566
	37,808,309	55,424,483	(18,756,226)	74,476,566

The designated funds represent government grants and license fees earmarked for future projects of the Commission.

Figures in Emalangeni	2017	2016
8. Universal Service Obligation Funds		
Opening balance	**20,351,925**	15,751,289
Received during the period	**4,938,841**	4,600,636
	25,290,766	20,351,925

These are funds transferred from the Universal Service Obligation Fund (USOF) in terms of Section 56 of the Swaziland Communications Act, 2013.

	2017	2016
9. Capital grant		
Opening balance	**121,623**	136,826
Realised in the income statement	**(15,203)**	(15,203)
	106,420	121,623

Capital grant recieved represent a grant in a form of depreciable fixed assets which were bought by government to help set up the Commission. The grant is recognised in the income statement on a straight-line basis over the useful life of the assets.

	2017	2016
10. Accounts payable		
Accrued expenses	**1,119,898**	229,677
VAT payable	**9,167,063**	4,076,187
	10,286,961	4,305,864

11. Provisions

	Opening balance	Additions	Utilised during the year	Total
Reconciliation of provisions – 2017				
Bonuses	**408,444**	**2,488,848**	**(816,701)**	**2,080,591**
Leave days	**160,112**	**–**	**(160,112)**	**–**
	568,556	**2,488,848**	**(976,813)**	**2,080,591**

Reconciliation of provisions – 2016

	Opening balance	Additions	Total
Bonuses	–	408,444	408,444
Leave days	–	160,112	160,112
	–	568,556	568,556

The provisions for leave pay and bonuses have been raised in terms of the following International Accounting Standards: IAS 19 – *Employee Benefits*.

Leave pay provision:
The leave pay provision relates to the vested leave pay to which employees are entitled to. The provision arises as employees render services that increase their entitlement to future compensated leave. The provision is also utilised when employees, who are entitled to leave pay, leave the employment of the Commission.

Bonus provision:
The bonus provision consists of a performance-based bonus, which is determined by reference to the overall performance with regard to a set of pre-determined key performance measures. Bonuses are payable annually after the Commission's annual results have been approved. Payment of bonus has to be approved by the Board of Directors.

12. Operating surplus

Operating surplus for the period amounting to E4 690 717 is stated after accounting for the following:

Figures in Emalangeni	2017	2016
Operating lease charges		
Premises		
Contractual amounts	**915,474**	843,711
Depreciation on property, plant and equipment	**4,247,394**	720,187
Employee costs	**9,115,956**	6,213,099
Auditor's remuneration	**96,900**	68,970

13. Cash generated from operations

	2017	2016
Surplus for the period	**4,690,717**	4,247,394
Adjustments for:		
Depreciation and amortisation	**2,740,840**	720,187
Movements in provisions	**1,512,035**	568,556
Prior year adjustments	**–**	67,601
Changes in working capital:		
Accounts receivable	**(39,350,776)**	731,760
Accounts payable	**5,981,097**	3,363,843
Designated funds	**60,512,285**	36,668,257
	37,592,752	44,861,044

14. Related parties

Relationships

Parastal organisation	Government of Swaziland Sipho J Shongwe
Members of key management	Gideon Mahlalela December Mavimbela Zodwa Ginindza Bheki Ndzinisa Bongiwe Dlamini

Figures in Emalangeni	2017	2016
Related party transactions		
Income		
Government of Swaziland subvention	–	800,000
Board expenses		
Retainer fees	**71,550**	83,700
Sitting allowances	**133,050**	66,294
Communication allowances	**98,880**	72,240

15. Capital Commitments

The commitments represent expenditure contracted for at balance date but not yet incurred.

Proposed acquistion of land:

This represents the land which the Commission is in the process of purchasing, per board resolution, for the construction of SCCOM Offices, being Lot 10, The Office Township, Ezulwini to the value of **E4 500 300** as per the deed of sale entered into between Bhaiprop (Pty) Ltd "the seller" and SCCOM "the buyer" signed on 21 April 2017.

ICT Market Studies – Pygma Consulting (Pty) Ltd:

The Commission awarded a contract for the ICT Market Studies on 6 June 2016 elapsing on 31 July 2018 valued at **E4 450 500**.

Maintenance and Support – TCI International:

A maintenance and support contract for the maintenance of the Spectrum monitoring equipment was signed on 12 May 2017, covering years 2018 – 2020 to the value of **USD 210 874 (approximately SZL 2 741 361)** as detailed below:

Figures in Emalangeni		2017	2016
Within 1 year (1 April 2017 – 30 March 2018)	@ USD70 291	**913,787**	–
Second year (1 April 2018 – 30 March 2019)	@ USD70 291	**913,787**	–
Third year (1 April 2019 – 30 March 2020)	@ USD70 291	**913,787**	–
		2,741,361	–

16. Risk management

Capital risk management

The Commission's objectives when managing capital are to safeguard the Commission's ability to continue as a going concern in order to provide returns for Commission and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

Liquidity risk

The Commission's risk to liquidity is a result of the funds available to cover future commitments. The Commission manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Commission only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

17. Comparative figures

Certain comparative figures have have been reclassified where necessary, to afford a proper presentation.

18. Post balance sheet events

There are no events which have occurred between the balance sheet date and the date of the audit report which have a material impact on the financial statements.

Detailed statement of financial performance

Figures in Emalangeni	2017	2016
Income		
Licence fees	**36,335,912**	17,956,226
Swaziland Government Subvention	**–**	800,000
Capital grant	**15,203**	15,203
Interest received	**4,690,717**	2,740,840
	41,041,832	21,512,269
Operating expenses		
Advertising	**1,432,709**	873,824
Auditors remuneration	**96,900**	68,970
Bank charges	**137,017**	123,412
Board expenses	**595,741**	222,234
Computer expenses	**43,437**	32,480
Corporate hospitality	**112,692**	83,983
Depreciation	**4,247,394**	720,187
Donations	**110,000**	–
Employee costs	**9,115,956**	6,213,099
General office expenses	**23,295**	37,818
Insurance	**1,086,610**	525,331
International meetings	**5,076,440**	3,172,536
Loss on assets disposal	**79,071**	–
Motor vehicle expenses	**303,365**	84,794
PEU/Govt costs	**3,241,017**	–
Printing and stationery	**296,126**	136,652
Professional fees	**2,418,692**	1,124,721
Rent	**915,474**	843,711
Repairs and maintenance	**233,157**	–
Staff welfare	**81,827**	38,753
Subscriptions	**5,801,594**	3,644,219
Telephone and fax	**801,476**	762,195
Utilities	**101,125**	62,510
	36,351,115	18,771,429
Surplus for the year	**4,690,717**	2,740,840

Supplementary information

1. Auditors' remuneration

Kobla Quashie & Associates	96,900

2. Board expenses

Retainer fees	71,550
Sitting allowances	133,050
Communication allowances	98,880
Board training	248,700
Travel claims	34,536
Refreshments	9,025
	595,741

3. Rent

Public Service Pension Fund	915,474

4. Subscriptions

International Telecommunications Union	530,526
African Telecommnications Union	197,500
Communication Regulators Association of South-Southern Africa	803,768
AFRALTI	261,990
Universal Postal Union (UPU)	2,103,101
Pan African Postal Union (PAPU)	597,830
CTO	1,296,600
Swaziland Television Authority	5,907
Pastel Payroll	4,372
	5,801,594

5. Professional fees

Pygma Consulting	1,126,255
KQ Consulting	435,000
Wits Enterprises	240,000
AM Recruitment Services	171,854
FHT Consultants	167,527
Pine Soft	92,910
Capital Management Consultancy	85,535
Robinson Bertram	70,024
Michelle M. Le Roux	26,087
KPMG Advisory	3,500
	2,418,692

General information

Nature of business and principal activities	To Regulate and Supervise Functions of all Electronic Communications, Postal, Radio and Television Broadcasting Services
Board of Directors	Mr Sipho J Shongwe – Chairman
	Dr Gideon Mahlalela – Vice chairman
	Members:
	Mr December Mavimbela – Appointed 25 October 2016
	Mrs Zodwa Ginindza – Appointed 25 October 2016
	Mr Bheki Ndzinisa – Appointed 25 October 2016
	Mrs Bongiwe Dlamini – Appointed 25 Octobter 2016
	Mr Mvilawemphi Dlamini (Chief Executive Officer) – Appointed 1 April 2017
	Secretary:
	Mr Sicelo Simelane
	Mr Joseph Waring – Term expired 31 August 2016
	Mr Mfanzile Dlamini – Term expired 31 August 2016
	Mr Sipho Vilakati – Term expired 31 August 2016
Business address	4th Floor, Sibekelo Building, Mbabane Office Park, Mbabane, Swaziland
Postal address	PO Box 7811, Mbabane, H100
Bankers	Nedbank (Swaziland) Limited
Auditors	Kobla Quashie and Associates Chartered Accountants (Swaziland) Manzini
Registration number:	Act No: 10 of 2013

Notes

Notes

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